

PUBLIC DOCUMENT

BEFORE THE U.S. TRADE REPRESENTATIVE

IN

CERTAIN STEEL PRODUCTS

SECTION 203 OF THE TRADE ACT OF 1974

**REPONSE TO ADJUSTMENT ACTION PROPOSALS ON BEHALF OF
EUROPEAN UNION PRODUCERS OF TOOL STEEL, MEMBERS OF THE
EUROPEAN CONFEDERATION OF IRON AND STEEL INDUSTRIES (EUROFER)**

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In response to questions raised by the TPSC, the European Union Producers of Tool Steel submit the following:

Exclusions

As the President noted when imposing safeguard remedies in *Wheat Gluten*, this type of action is intended to “facilitate efforts by the domestic industry to make a positive adjustment to import competition and provide greater economic and social benefits than costs.” Proclamation 7103 of May 30, 1998 at 63 Fed. Reg. 30359 and Memorandum of May 30, 1998 at 63 Fed. Reg. 30363. Nothing in this statement precludes the domestic industry from moving into new markets, but a safeguard remedy should not be designed so as to give it trade protection to do so.

The domestic industry provides no evidence that it has produced any of the products from 1996-2000 for which we have requested an exclusion, and therefore there is no basis for the imposition of a safeguard. The domestic industry argues that

“domestic producers may not have recently, or ever, produced a particular product . . . [because they] may not have been able to match import prices previously, or may produce a commercial substitute for a patented competitive product. In such instances, an exclusion should not be granted because the domestic industry should have the opportunity to compete for that business.”¹

The safeguard statute, however, instructs the President, when balancing economic and social benefits and costs, to consider “the effect of implementation of actions . . . on consumers.” 19 U.S.C. § 2253(a)(2)(F)(ii). It is not in the national economic interest to sacrifice the immediate needs of domestic users of a product for which there is currently no domestically produced

¹ AK Steel Corporation; Allegheny Ludlum Corporation; Carpenter Technology Corporation; Crucible Specialty Metals; Slater Steels Corporation, Specialty Alloys Division; Timken Latrobe Steel Company; Flowline Division of Markivitz Enterprise, Inc.; Gerlin, Inc.; Shaw Alloy Piping Products, Inc.; and Taylor Forge Stainless Inc., *Responses to Exclusion Requests Concerning Stainless, Tool, and Electrical Steel Products* (Dec. 5, 2001) at 3.

alternative available, nor has there been for more than five years. Any immediate benefit to the domestic producers will be offset by the negative effect on domestic end-users and consumers.

In addition, creating a sanctuary for the domestic industry as it moves into new market areas will result in a situation where the domestic industry will not be competitive after three years when the safeguard is removed. The domestic industry argues it will use the three years of commercial stability to attract and make capital investment, which, among other things, will allow the “development of new products and applications.”² The statute, however, requires that the President consider “the probable effectiveness of the action . . . to facilitate positive adjustment to import competition.” 19 U.S.C. §2253(a)(2)(D). For both Timken and Allegheny Ludlum, Tool Steel is a small product line, removed from their core business. It is unlikely that they will use adjustment assistance to foster growth in the Tool Steel area. Indeed, Timken has been trying to sell its entire Tool Steel business since 1999, and Allegheny sold an important part of its U.S. operation to European producer Bohler-Uddeholm in 1998. Furthermore, even if either were to reverse course and seek to increase its presence in Tool Steel, limiting the normal flow of foreign imports will make it difficult to judge precisely what adjustments are needed to compete effectively in an open market. The Tool Steel businesses of Timken and Allegheny are not in danger of failure or bankruptcy, and only through a continued open market can they become more competitive on both a domestic and global basis.

² Latrobe Steel Company and Allegheny Ludlum Corporation, *Proposal on Adjustment Actions Concerning Tool Steel* (Nov. 5, 2001) at 6.

Respectfully submitted,

A handwritten signature in black ink, reading "Danielle Cannata". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

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